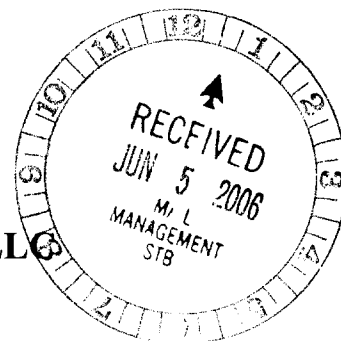


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ENVIRONMENTAL REPORT
(49 CFR SECTION 1105.7)



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KETTLE FALLS INTERNATIONAL RAILWAY, LLC
-- ABANDONMENT EXEMPTION --
IN FERRY COUNTY, WASHINGTON

DOCKET NO. AB-994 (SUB-NO. ~~XX~~)

1. *Proposed Actions and Alternatives.* Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures that may be involved, and any possible changes in the current operations or maintenance practices. Also describe any reasonable alternatives to the proposed action. Include a readable, detailed map and drawings clearly delineating the project.

Kettle Falls International Railway, L.L.C. ("KFR") proposes to abandon approximately 28 miles of trackage in Ferry County, Washington located between milepost 48.779 near Danville, Washington and milepost 77.14 near San Poil, Washington (the "Line"). Upon receipt of abandonment authority, KFR intends to remove the rail, track materials, and cross ties. KFR will not remove any bridges.

The one shipper on the Line moved its operation in October, 2005 and dismantled its facility. All the traffic previously handled on the Line is now being handled by KFR on another of its rail lines. Thus, with the relocation of this shipper to another rail line, KFR will continue to have the responsibility for maintaining the Line but without any traffic on it. The only alternative to abandonment would be to not abandon the Line and pass the opportunity costs of retaining the Line to all other KFR customers. Obviously this would not be a prudent use of KFR's resources.

A map of the proposed abandonment is attached as Exhibit 1.

2. *Transportation System.* Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

No freight traffic has moved on the Line since October, 2005, when the only shipper on the Line ceased operations and moved to another KFR rail line. Because the traffic has already shifted to that other KFR line, the proposed abandonment will have no adverse effects on local or regional transportation systems or patterns because the traffic that once moved on the Line has been transferred to another route. In fact, the shipper used to have materials brought to its facility on the Line by truck and that truck traffic no longer occurs. The materials are transported to the new location by rail. No passenger traffic has ever moved over the Line.

3. Land Use. (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies. (ii) Based on the consultation with the U.S. Soil Conservation Service, state the effect of the proposed action on any prime agricultural land. (iii) If the action affects land or water uses within a designated coastal zone, include the coastal zone information required by §1105.9. (iv) If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S.C. 10905 and explain why.

(i) KFR is confident that the proposed abandonment will be consistent with local land use plans. KFR has contacted the local government in Ferry County as shown by the letter attached as Exhibit 2. To date, no response to this inquiry has been received. A copy of this Report has been mailed to the appropriate local and state agencies for their information and comment.

(ii) KFR is confident the proposed abandonment will not have any detrimental effect on any prime agricultural land. KFR contacted the U.S. Soil Conservation Service as shown by the letter attached as Exhibit 3. The Service determined that the proposed project will have no effect on prime farm land as is shown by the attached letter marked as Exhibit 3A.

(iii) The Line is not located in a designated coastal zone.

(iv) The right-of-way involved is not suitable for alternative public use under Section 10905 because it is needed for flood control, redesign of a highway interchange, and the development of a green way.

4. Energy. (i) Describe the effect of the proposed action on transportation of energy resources. (ii) Describe the effect of the proposed action on recyclable commodities. (iii) State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why. (iv) If the proposed action will cause diversions from rail to motor carriage of more than: (A) 1,000 rail carloads a year; or (B) an average of 50 rail carloads per mile per year for any part of the affected line, quantify the resulting net change in energy consumption and show data and methodology used to arrive at the figure given.

(i) The proposed abandonment will have no effect on the transportation of energy resources.

(ii) The proposed abandonment will have no effect on the transportation of recyclable commodities.

(iii) The proposed abandonment will have no effect on overall energy efficiency. Because the only shipper on the Line has relocated to another KFR line, there will be no increase in energy consumption.

(iv) The proposed abandonment will not meet or exceed these levels.

5. *Air.* (i) If the proposed action will result in either: (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, or (B) an increase in rail yard activity of at least 100 percent (measured by carload activity), or (C) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment, quantify the anticipated effect on air emissions. For a proposal under 49 U.S.C. 10901 (or 10502) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in subsection (5)(i)(a) will apply. (ii) If the proposed action affects a class I or non-attainment area under the Clean Air Act, and will result in either: (A) An increase in rail traffic of at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line, (B) An increase in rail yard activity of at least 20 percent (measured by carload activity), or (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, then state whether any expected increased emissions are within the parameters established by the State Implementation Plan. However, for a rail construction under 49 U.S.C. 10901 (or 49 U.S.C. 10505), or a case involving the reinstitution of service over a previously abandoned line, only the three train a day threshold in this item shall apply. (iii) If transportation of ozone depleting materials (such as nitrogen oxide and freon) is contemplated, identify: the materials and quantity; the frequency of service; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and spills; contingency plans to deal with accidental spills; and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment.

(i) The proposed abandonment will not result in meeting or exceeding these thresholds.

(ii) The proposed abandonment will not result in meeting or exceeding these thresholds.

(iii) The proposed abandonment will not effect the transportation of ozone depletion materials.

6. *Noise.* If any of the thresholds identified in item 5(i) of this section are surpassed, state whether the proposed action will cause: (i) An incremental increase in noise levels of three decibels Ldn or more; or (ii) An increase to a noise level of 65 decibels Ldn or greater. If so, identify sensitive receptors (e.g., schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed.

Not applicable

7. Safety. (i) Describe any effects of the proposed action on public health and safety (including vehicle delay time at railroad crossings). (ii) If hazardous materials are expected to be transported, identify: the materials and quantity; the frequency of service; whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills; the contingency plans to deal with accidental spills; and the likelihood of an accidental release of hazardous materials. (iii) If there are any known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way, identify the location of those sites and the types of hazardous materials involved.

(i) KFR submits there will be little if any impact on public health or safety associated with the proposed abandonment because the traffic has already been relocated to another KFR line. The eventual removal of public and private crossings will, however, have a positive impact on vehicular traffic that will no longer have to deal with the crossings.

(ii) The proposed abandonment will have no effect on the transportation of hazardous materials.

(iii) KFR is unaware of any hazardous waste sites or sites where hazardous spills have occurred on the right-of-way.

8. Biological Resources. (i) Based on consultations with the U.S. Fish and Wildlife Service, state whether the proposed action its likely to adversely affect endangered or threatened species or areas designated as critical habitat, and if so, describe the effects. (ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects.

(i) KFR is confident that the proposed abandonment will not have any adverse affect on threatened or endangered species or areas designated as a critical habitat. KFR has contacted the U.S. Fish and Wildlife Service as is shown by the letter attached as Exhibit 4. To date, no response to this request has been received. A copy of this report has been supplied to the U.S. Fish and Wildlife Service for its information and comment.

(ii) KFR believes there are no wildlife sanctuaries or refuges or National or State parks that would be adversely affected by the proposed abandonment. KFR has contacted the National Park Service as shown by the letter attached as Exhibit 5. To date, no response to this request has been received. A copy of this report has been supplied to the National Park Service for its information and comment.

9. Water. (i) Based on consultation with the State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards. Describe any inconsistencies. (ii) Based on consultation with the Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U.S.C. 1344) are required for the proposed action and whether

any designated wetlands or 100-year flood plains will be affected. Describe the effects. (iii) State whether permits under section 402 of the Clean Air Act (33 U.S.C. 1342) are required for the proposed action. (Applicants should contact the U.S. Environmental Protection Agency or the state environmental protection or equivalent agency if they are unsure whether such permits are required.)

(i) KFR is confident the proposed abandonment will not be inconsistent with applicable water quality standards. KFR contacted the Washington Department of Ecology ("WDE") as shown by the letter attached as Exhibit 6. To date, no response has been received from WDE. A copy of this report has been supplied to that department for its information and comment.

(ii) KFR believes the proposed abandonment will not require the issuance of any permits under Section 404 of the Clean Air Act. KFR contacted the U.S. Army Corps of Engineers as is shown by the letter attached as Exhibit 7. To date, no response to this inquiry has been received. A copy of this report has been supplied to the U.S. Army Corps of Engineers for its information and comment.

(iii) KFR believes the proposed abandonment will not require the issuance of any permits under Section 402 of the Clean Water Act. KFR contacted the U.S. Environmental Protection Agency as shown by the letter attached as Exhibit 8. To date, no response to this inquiry has been received. A copy of this report has been supplied to the U.S. Environmental Agency for its information and comment.

10. *Proposed Mitigation.* Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate.

KFR does not anticipate any adverse environmental impact from the proposed abandonment nor have the recipients of this report advised of the need for special mitigation.